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CORPORATION FILE

Walgreens

ANNUAL REPORT TO SHAREOWNERS

1961



DIRECTORS

A. A. BORG
SANFORD J. BOWYER
C. R. CAMPBELL
ROBERT G. KNIGHT
C. E. La FRAMENTA
EDWARD P. LESLIE
S. S. RAAB
A. L. STARSHAK
C. R. WALGREEN, JR.

OFFICERS

C. R. WALGREEN, JR.*President*
T. J. BARTON*Secretary*
H. W. BECKER*General Auditor*
A. A. BORG*Vice President and Treasurer*
SANFORD J. BOWYER*Vice President*
C. R. CAMPBELL*Vice President*
O. G. GILE*Assistant Secretary*
M. R. KEPHART*Vice President*
C. E. LA FRAMENTA*Vice President*
EDWARD P. LESLIE*Vice President*
W. W. LOW*Assistant Treasurer*
W. K. MISKE*Assistant Secretary*
S. S. RAAB*Vice President*
W. H. REESE*Assistant Secretary*
N. P. STARSHAK*Comptroller*

Public Accountants and AuditorsARTHUR ANDERSEN & Co.

Transfer Agents .. THE FIRST NATIONAL BANK OF CHICAGO
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Registrars HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE FIRST NATIONAL CITY BANK OF NEW YORK

General Offices, 4300 W. Peterson Ave., Chicago 46, Ill.

The President's Annual Message



DURING the past year ended September 30th, our sales continued their upward trend, reaching a new high of 331 millions. Earnings were \$3.91 per share on all shares outstanding at the close of the year, including the stock dividend issued at the end of the year. These earnings include a special additional dividend of \$267,000 from Sanborn Hnos., our affiliate in Mexico. Based upon the same number of shares, the comparable figure for a year ago is \$4.20. The most severe period of the recent recession coincided with our fiscal year. However, earnings are the third highest in our Company's history.

We had 467 stores in operation at the close of the year—an increase of 16 units. We opened 35 new stores, of which 11 were replacements; 19 units were closed. We expect to open about the same number of new stores during the current year.

Mr. R. G. Knight, Vice President and Treasurer, and Mr. A. L. Starshak, Vice President in charge of Public Relations, retired from administrative duties during the past year. They remain as Directors, and their valuable services continue to be available to our Company on a consulting basis.

We believe that our stores—which for many years have been operating on a discount basis of merchandising—are well prepared to meet the challenge of current retail patterns. Although the field of retailing continues to be extremely competitive, we are looking forward to a good year in 1962.

The Board of Directors joins me in expressing appreciation to all the members of our organization for their loyal and energetic efforts during the past year.

Sincerely,

A handwritten signature in dark ink, appearing to read "A. Walgreen, Jr." with a stylized flourish at the end.

President

Chicago, November 24, 1961

Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS

| | September 30, | |
|--|---------------------|---------------------|
| | 1961 | 1960 |
| CURRENT ASSETS: | | |
| Cash | \$ 5,612,886 | \$ 4,954,290 |
| Accounts receivable, less reserves | 5,293,070 | 4,498,197 |
| Inventories of merchandise, priced at the lower of cost or market, less reserves | 39,839,074 | 38,276,525 |
| TOTAL CURRENT ASSETS | 50,745,030 | 47,729,012 |
| PREPAID RENT, INSURANCE, TAXES, ETC. | 1,457,863 | 1,550,783 |
| INVESTMENTS IN AFFILIATED AND OTHER COMPANIES, at cost (equity in underlying book values or market value \$5,860,000 in 1961 and \$4,890,000 in 1960) | 2,061,183 | 1,679,786 |
| FIXED ASSETS, at cost: | | |
| Land | 165,261 | 68,000 |
| Buildings (on owned and leased land) | 1,547,003 | 1,540,420 |
| Equipment | 33,938,529 | 31,991,564 |
| | 35,650,793 | 33,599,984 |
| Less—Reserves for depreciation | 15,218,984 | 14,161,519 |
| TOTAL FIXED ASSETS | 20,431,809 | 19,438,465 |
| GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount | 1 | 1 |
| | \$74,695,886 | \$70,398,047 |

NOTE:

In 1957, the shareowners approved a restricted stock option plan for key employees, including officers. At September 30, 1961, 32,835 shares of common stock were reserved for issuance under this plan of which options are outstanding for 30,471 shares at prices ranging from \$24.71 to \$50.52. Options granted under this plan are exercisable beginning one year from

BALANCE SHEET

LIABILITIES

| | September 30, | |
|---|--------------------------------|--------------------------------|
| | <u>1961</u> | <u>1960</u> |
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 9,473,385 | \$10,520,958 |
| Accrued expenses and other liabilities | 8,653,262 | 8,680,644 |
| Federal and State income taxes | 3,714,763 | 3,983,351 |
| Notes payable | 4,250,000 | 2,000,000 |
| TOTAL CURRENT LIABILITIES | <u>26,091,410</u> | <u>25,184,953</u> |
| | | |
| SHAREOWNERS' EQUITY: | | |
| Common stock, \$10 par value— | | |
| Authorized 1,955,522 shares, issued and outstanding 1,430,418 in 1961 and 1,381,275 in 1960, at stated value | 19,611,864 | 17,091,655 |
| Earned surplus | 28,992,612 | 28,121,439 |
| TOTAL SHAREOWNERS' EQUITY | 48,604,476 | 45,213,094 |
| | <u>\$74,695,886</u> | <u>\$70,398,047</u> |

the date of grant over a period not exceeding five years and in reduced amounts thereafter through 1967. During 1961, 12,393 shares became exercisable and 12,258 were exercised. Previously granted options required an adjustment of 918 shares because of the 3% stock dividend declared in 1961.

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF INCOME

For the Years Ended September 30, 1961 and 1960

| | <u>1961</u> | <u>1960</u> |
|---|---------------------|---------------------|
| SALES AND OTHER INCOME: | | |
| Net sales and other store income | \$331,665,829 | \$312,365,247 |
| Other income (net) | 635,322 | 277,320 |
| | <u>332,301,151</u> | <u>312,642,567</u> |
| COSTS AND DEDUCTIONS: | | |
| Cost of sales and of selling, occupancy and administration, except depreciation | 317,576,905 | 297,012,382 |
| Depreciation of buildings and equipment | 2,461,508 | 2,250,514 |
| Provision for contribution to employees' retirement pension trust | 1,215,000 | 1,454,000 |
| Improvements to leased properties | 343,822 | 304,686 |
| | <u>321,597,235</u> | <u>301,021,582</u> |
| INCOME BEFORE FEDERAL AND STATE INCOME TAXES | 10,703,916 | 11,620,985 |
| Provision for income taxes | 5,110,000 | 5,610,000 |
| NET INCOME | <u>\$ 5,593,916</u> | <u>\$ 6,010,985</u> |

COMPARATIVE STATEMENT OF SHAREOWNERS' EQUITY

For the Years Ended September 30, 1961 and 1960

| Earned Surplus | | |
|--|----------------------|----------------------|
| Balance, beginning of year | \$ 28,121,439 | \$ 26,540,024 |
| Net income | 5,593,916 | 6,010,985 |
| | <u>33,715,355</u> | <u>32,551,009</u> |
| Deduct—Dividends paid— | | |
| Cash dividends of \$1.60 per share in each year | 2,224,814 | 2,148,694 |
| 3% stock dividend— | | |
| Transferred to common stock for shares issued | 2,203,879 | 2,013,886 |
| Cash payment for fractional shares | 294,050 | 266,990 |
| | <u>4,722,743</u> | <u>4,429,570</u> |
| Balance, end of year | <u>\$ 28,992,612</u> | <u>\$ 28,121,439</u> |
| Common Stock | | |
| Balance, beginning of year | \$ 17,091,655 | \$ 14,826,033 |
| Proceeds from shares issued under employees' stock option plan .. | 316,330 | 251,736 |
| Transfer of earned surplus in connection with 3% stock dividend .. | 2,203,879 | 2,013,886 |
| Balance, end of year | <u>\$ 19,611,864</u> | <u>\$ 17,091,655</u> |

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1961, and the related statements of consolidated income and shareowners' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and shareowners' equity present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1961, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,

November 10, 1961.

Expansion... KEY TO G

WALGREENS WELCOMES CUST



GREATER PROGRESS

FROM 10 STORES TO 35 NEW STORES IN 1961



- ALBUQUERQUE, N. M., *Winrock Shopping Center*
- ARABI, LA., 7501 St. Bernard Highway
- AUGUSTA, GA., 840 Broad St.
- AUSTIN, TEX., *South Congress Shopping Center*
- BATON ROUGE, LA., *Bon Marche Shopping Center*
- BAYAMON, Puerto Rico, *Bayamon Shopping Center*
- BLOOMINGTON, MINN., *Wards Southtown Center*
- CHICAGO, ILL., *Merchandise Mart Building*
- CHICAGO, ILL., 63rd and Ashland
- CHICAGO, ILL., 59th and Pulaski
- CICERO, ILL., 5958 W. Cermak
- DAYTONA BEACH, FLA., 180 N. Beach
- HIGHLAND PARK, ILL., 601 Central
- HOUSTON, TEX., *Sharpstown Shopping Center*
- KANKAKEE, ILL., *Meadowview Shopping Center*
- LINCOLN, NEBR., *Lincoln Gateway Shopping Center*
- LITTLE ROCK, ARK., *Broadmoor Shopping Center*
- LOUISVILLE, KY., 238 S. 4th
- LOUISVILLE, KY., 573 S. 4th
- MOLINE, ILL., *King Shopping Plaza*
- MONROE, LA., *Eastgate Shopping Center*
- MT. PROSPECT, ILL., *Mt. Prospect Plaza*
- MUSKEGON, MICH., 291 W. Western
- NILES, ILL., *Golf-Mill Shopping Center*
- OMAHA, NEBR., *The Crossroads Shopping Center*
- ORLANDO, FLA., *Parkwood Plaza Shopping Center*
- PADUCAH, KY., 417 Broadway
- PHOENIX, ARIZ., *Chris-Town Shopping Center*
- PINE BLUFF, ARK., *Jefferson Square Shopping Center*
- SACRAMENTO, CAL., 900 "K" St.
- SAN JUAN (Rio Piedras), Puerto Rico, *65th Infantry Shopping Center*
- SPRINGFIELD, ILL., *Town & Country Shopping Center*
- TAMPA, FLA., *East Gate Shopping Center*
- TOPEKA, KANS., 815 Kansas
- WACO, TEX., *Lake Air Shopping Center*

Additionally, other units were modernized,
some enlarged, some converted to self-service . . .

Promotion... KEY TO GR

WALGREENS TELLS PUBLIC AB

PRESCRIPTION VOLUME GAINS MOMENTUM

Our amplified promotion of Walgreen Prescription Service emphasizes low price, directly meeting the economy appeal of new entries into the prescription field—the mail-order houses, discounters, food stores. This extra promotional impulse has already resulted in rapidly expanding volume for this vital part of our business. We are now filling prescriptions at a rate of well over 6 million prescriptions a year. We are more than ever *First in Pharmacy*, nationwide.



EATER PROGRESS

OUT LOWER PRESCRIPTION PRICES:

Walgreens Again Lowers Price of Prescriptions

C. R. Walgreen, Jr., R.Ph., president of the nationwide drug store chain, today gave notice that Walgreens is taking the lead to keep prescription service where it has traditionally been—in the nation's drug stores.



CHARLES R. WALGREEN, JR.

It marked the first major public reply to the price challenge of mail-order prescription firms, discount houses, food stores and other new entries in the pharmacy field.

"Price is not the principal ingredient of any prescription," stated Walgreen, "but neither can its importance to customers be overlooked.

"Walgreen prescription prices have always been under the average, because we have always believed in serving community health needs at minimum cost. Now, we are proud to announce still further reductions in our prescription prices. We believe that our low, low prices today directly answer the challenge of mail-order prescription systems, prescription clubs, so-called 'non-profit' plans, or any other publicized discount operations anywhere.

"But the point at issue is not simply price," emphasized Walgreen. "For our country's traditional pharmacy service—via the neighborhood drug store or prescription shop—must not be lost to any community. It contributes a vital public health

service that cannot be given by any mail-order system or other impersonal, incomplete prescription dispensing plan.

"Of utmost importance is the within-minutes availability to doctors and patients of the thousands of drugs that help defend the health of America. No physician, no patient must be made to wait through precious days of healing time to obtain medicines by mail. Or worse yet, find by return mail that the particular medicine prescribed is among those not available by mail.

"And the public must not lose the vital Physician-Pharmacist-Patient relationship that traditionally safeguards the patient's health.

"Again, physicians must have instant access to prescription files, as they can do only through a local drug store or pharmacy.

"So the point at stake today is whether the pharmacist-in-every-community tradition is to be lost to the people of America because of price-warring from sources providing only partial pharmacy service.

"We are making this public announcement to make clear that we of Walgreens intend to hold fast to our role as pharmacists. Our answer is low, low prescription prices right in our neighborhood drug stores.

"I know I speak for each of our company's 1200-plus registered pharmacists when I say that they are proud and pleased that we are taking the lead with this firm competitive stand to keep the heart of the community drug store—its prescription service—sound and safe for the future."

PUBLICITY . . .

News releases rated headlines in scores of newspapers across the country.

THIS IS WALGREENS PLEDGE TO YOU:

You Can Lower Your Prescription Costs Here and Now



Walgreen Prescription Prices Have Always Been Under the Average. And Today—Right at Your Neighborhood Walgreen Drug Store—They are SO LOW WE ASK YOU TO COMPARE THEM WITH ANY SOURCE, ANYWHERE.

- And:
- OUR LOW PRICES ARE BACKED BY WALGREENS TRADITION OF QUALITY—we guarantee faster fresh drugs, best professional care always.
 - YOU ARE ASSURED THAT YOUR MEDICINE IS IMMEDIATELY AVAILABLE TO YOU—without loss of precious days of healing time.
 - DISPENSED BY AN EXPERT REGISTERED PHARMACIST YOU SEE & KNOW—you enjoy the vital personal Doctor-Pharmacist-Patient relationship.
 - WALGREENS PRESCRIPTION FILES ARE READILY AVAILABLE FOR YOUR PHYSICIAN'S REFERENCE—in making every best medical determination.
 - WALGREENS PRESCRIPTION SERVICE IS COMPLETE—we can dispense any drug, any medication that your Doctor prescribes for you.
 - OUR REGISTERED PHARMACISTS ARE AT YOUR SERVICE EVERY DAY & EVERY EVENING—including holidays and holidays.

Your Walgreen Pharmacist

Why CAN WALGREENS PRICE YOUR PRESCRIPTIONS SO LOW?

First, there are no Pharmacy Groups, or Package Deals, or other events that you need to qualify for Walgreen's low-cost policy in the low-cost policy.

Second, because Walgreens maintains prescription service in the world's largest, most thriving and 3 million pharmacy units a year, Walgreens can operate on a low-cost margin.

What About "DISCOUNT" CLAIMS? "NON-PROFIT" SERVICES? PRESCRIPTION "CLUBS"?

DISCOUNTS: 20% or 40% off in 20% or 40% off when you buy in bulk. "Discount" claims: Claims give you no basis in reason for 50-cent prices, and claims.

PRESCRIPTION "CLUBS": You may bring you very low prices and still make their small profit. So a "discount" price, that claims.

LET US PRICE AND FILL YOUR NEXT PRESCRIPTION

LEARN EXACTLY HOW MUCH YOU WILL SAVE AT WALGREENS



DEPENDABLE PRESCRIPTION SERVICE... since 1901

ADVERTISING . . .

Consistent advertising program underscores quality and low cost of Walgreen Prescription Service.

M Manufacturing...K

POPULAR WALGREEN

Manufacture of exclusive product lines in our own Laboratory guarantees our customers the combination of quality and economy that creates product loyalty, brings *return* traffic to every store.

Greater volume and wider national penetration is achieved through the 1,908 Walgreen Agency Drug Stores which sell Walgreen Products.

We invite *you* to buy Walgreen Products. It is to your advantage both as a shareowner and as a discerning, value-wise consumer.



Customers-Eye View of Our Famous Line of "Specialized Formula" OLAFSEN VITAMINS

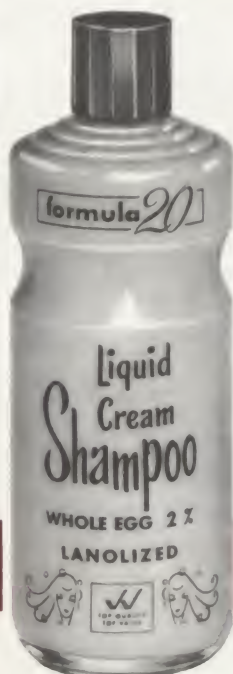
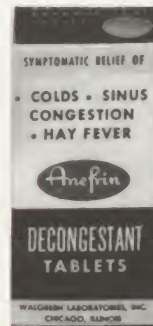
KEY TO GREATER PROGRESS

PRODUCTS BUILD REPEAT BUSINESS



A BEST SELLER!

Our famed Perfection Hand Cream, now a 22-year-old phenomenon, is chosen by more women than any other brand of hand cream on our shelves.



A Few of the Customer Favorites from Our Extensive Line-up of Drug, Cosmetic and Household Products.

“Walgreens . . . the

— DIRECTORY OF WALGREEN DRUG STORES —

ALABAMA (1)

Mobile

ARIZONA (8)

Phoenix (6)
Tucson (2)

ARKANSAS (5)

Fort Smith
Hot Springs
Little Rock (2)
Pine Bluff

CALIFORNIA (13)

Alameda
Daly City
Hayward
Oakland
Palo Alto
Redwood City
Sacramento (2)
San Francisco (3)
San Mateo
Santa Monica

COLORADO (12)

Boulder
Colorado Springs
Denver (7)
Englewood
Fort Collins
Lakewood

CONNECTICUT (2)

Bridgeport
Hartford

FLORIDA (27)

Bradenton
Daytona Beach
Fort Lauderdale
Hialeah
Jacksonville (4)
Lakeland
Miami (6)
N. Miami Beach
Orlando (3)
Panama City
Pensacola
St. Petersburg
Tallahassee
Tampa (2)
West Palm Beach (2)

GEORGIA (9)

Atlanta (6)
Augusta
Columbus
Savannah

ILLINOIS (151)

Arlington Heights
Aurora
Berwyn
Bloomington
Blue Island
Bridgeview
Champaign
CHICAGO (86)
Chicago Heights
Cicero (2)
Danville
Decatur (2)
Deerfield
Des Plaines
Downers Grove
East St. Louis
Elgin
Elmhurst
Elmwood Park
Evanston
Evergreen Park
Galesburg
Glen Ellyn
Harvey
Highland Park (2)
Hinsdale
Joliet (2)
Kankakee (2)
La Grange
Lake Forest
Markham
Melrose Park
Moline (2)
Morton Grove
Mt. Prospect
Niles
Norridge
Northbrook
Oak Lawn
Oak Park (3)
Park Ridge (2)
Peoria (2)
Quincy
Rockford (2)
Rock Island
Skokie (3)
Springfield (2)
Sterling
Villa Park
Waukegan (2)
Western Springs

INDIANA (17)

Anderson
East Chicago

Fort Wayne (4)
Gary (3)
Hammond (2)
Lafayette
Logansport
Michigan City
Muncie
New Albany
South Bend

IOWA (7)

Bettendorf
Clinton
Council Bluffs
Davenport (2)
Des Moines (2)

KANSAS (2)

Topeka
Wichita

KENTUCKY (14)

Lexington
Louisville (9)
Newport
Owensboro
Paducah
Pleasure Ridge Park

LOUISIANA (22)

Alexandria
Arabi
Baton Rouge (3)
Lake Charles (2)
Metairie (2)
Monroe (2)
New Orleans (10)
Shreveport

MASSACHUSETTS (2)

Springfield
Worcester

MICHIGAN (7)

Battle Creek
Benton Harbor
Flint
Jackson
Kalamazoo
Lansing
Muskegon

MINNESOTA (14)

Bloomington
Duluth
Edina
Minneapolis (7)
Richfield
St. Paul (2)
St. Louis Park

MISSISSIPPI (2)

Jackson
Vicksburg

MISSOURI (10)

Crestwood
Jennings
Richmond Heights
St. Louis (7)

NEBRASKA (5)

Lincoln (2)
Omaha (3)

NEW JERSEY (3)

East Paterson
Menlo Park
Paramus

NEW MEXICO (2)

Albuquerque (2)

NEW YORK (15)

Albany
De Witt
Hempstead
Levittown
Massapequa Park
New Hyde Park
New York (6)
Syracuse
Valley Stream
Yonkers

N. CAROLINA (5)

Durham
Greensboro
Raleigh
Wilmington
Winston-Salem

OHIO (12)

Akron
Cincinnati (3)
Columbus (3)
East Cleveland
Lima
Springfield
Toledo (2)

OKLAHOMA (2)

Tulsa (2)

PENNSYLVANIA (1)

Altoona

S. CAROLINA (4)

Charleston
Columbia (2)
Greenville

S. DAKOTA (2)

Aberdeen
Sioux Falls

TENNESSEE (15)

Knoxville



Nation's Name for Drug Stores''

- Madison
- Memphis (10)
- Nashville (2)
- Oak Ridge
- TEXAS (39)**
- Abilene
- Amarillo
- Austin
- Beaumont (2)
- Corpus Christi (2)
- Dallas (5)
- Galveston
- Houston (14)
- Lubbock
- Pasadena
- Port Arthur (2)
- San Antonio (4)
- University Park
- Waco (2)
- Wichita Falls

- UTAH (3)**
- Salt Lake City (3)

- VIRGINIA (1)**
- The Pentagon

- W. VIRGINIA (2)**
- Huntington
- Wheeling

- WISCONSIN (27)**
- Appleton
- Beloit
- Eau Claire
- Glendale
- Green Bay
- Kenosha
- Menasha
- Milwaukee (17)
- Racine
- Wauwatosa
- West Allis

- WYOMING (2)**
- Casper
- Cheyenne

- PUERTO RICO (2)**
- Bayamon
- San Juan (Río Piedras)



- Sanborns MEXICO (6)**
- Mexico City (5)
- Monterrey

DISTRIBUTION OF SALES



1 SOUTHERN
\$100,551,874 : 30.3%

2 MIDWEST
(Chicago excluded)
\$ 99,637,089 : 30.0%

3 CHICAGO, ILL.
\$ 65,217,921 : 19.7%

4 WESTERN
\$ 34,085,971 : 10.3%

5 EASTERN
\$ 32,172,974 : 9.7%

467 Walgreen Drug Stores, serving key communities across the nation, bring *better health, better living, better value* to more than one million customers a day.

Giving international scope to our operations are our new Puerto Rico stores, plus our affiliate in Mexico, the celebrated *Sanborns*.

In addition, over 1,900 independently-owned Walgreen Agency Drug Stores carry our name and products into many areas not directly served by our own stores.



**"More People Trade
at Walgreens than
at Any Other Drug Stores
in the World"**



OPERATION OVERSEAS:

The initial supply van—well-addressed—travels by land and sea to supply the first of our two new Puerto Rico stores.

